Pipeline
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www.pipelinepub.com Volume 7, Issue 3

Why Aren't My Apps on My Wireless Bill?

Chatting with Intec's App Whiz Monica Ricci

By Ed Finegold

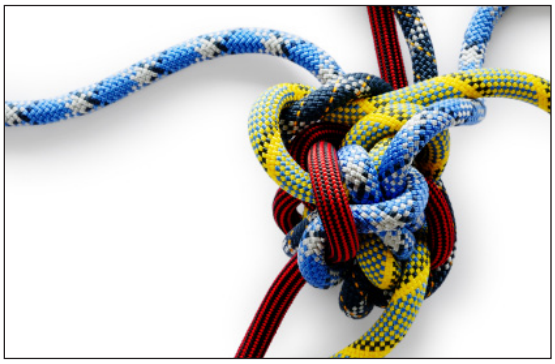
Get a group of iPhone users together and it's only a matter of time before they start to play "check out this app I found." My wife is scrolling through her immunization record app with her best friend while her husband shows me his thoroughly exercised beer tasting app. I'm carrying a Blackberry Storm 2, which I find lacking in both apps and Internet experience, so my mind wanders to how they bill for this stuff. Apps from places like Apple's App Store, Blackberry's App World, the Android Market, and Nokia's Ovi store, don't end up on the wireless bill. Though I could guess why, I figured I'd ask an expert. That's one of the many perks of being a BSS columnist. Monica Ricci, director of cross portfolio marketing for Intec, is one such person.

Why not?

I asked Monica why apps from app stores don't end up on wireless bills, and she was quick to correct me. Stores like those mentioned above, which the device or OS manufacturers have launched, are "technology branded app stores" in the insider's parlance. "Those are over-the-top services," Ricci says. "They monopolize the relationship and interaction with the user of the end device. With no other options, they (the device and OS providers) monopolized the process including the payment. When you purchase something with a price on it in an app store you pay for it at the same time with a credit card or wallet payment."

Wait a minute, I say—no other options? But there are other options, right? "Our understanding," Ricci says, "is that to go to market and have the complete process from order to cash, it was easier for them to drive the payment to a credit card or wallet payment device that they maintain because integrating into the carrier's environment isn't easy, even for the carrier."

Now, this was my first assumption, but I'm still surprised to hear it. It seems like carriers would have every incentive to make it easy for third parties to charge apps directly to the wireless bill, and that they could do so with sufficient focus and effort.



Ricci flipped it around, however, and said that the one notable exception was Nokia's Ovi store. Prior to launch, Nokia reached out to its global carrier partners to determine the requirements involved in billing apps directly to a user's wireless bill. Nokia, rather than making the carriers jump through hoops to connect with a proprietary API, took on the burden of interfacing one by one with those carriers who wanted to play ball.

In May of 2009, Nokia's VP of product management, George Linardos, was quoted saying "When we start locally with credit card billing and then we move to operator billing, we see a 70 percent lift in sales literally overnight." The advantage, Ricci says, is that carrier billing it adds a further element of choice for the user, it gives them a pay-later option, and it keeps all spending relating to wireless services on one bill. Ricci believes that customers would also be attracted to features that give them visibility into their spending in real time along with alerts, so they can budget their wireless dollars, feel a better sense of control over their spending, and avoid radical billshock.

> "Managed services enable companies to keep up with technological advancements, despite downsized staff."

Do Customers and Carriers Even Want It?

I was still wondering why more carriers weren't enabling billing integration with app stores when it occurred to me that they might have figured out that either customers said they didn't want it or carriers didn't want to deal with potential fallout from it. Ricci

said that evidence suggests consumers want carrier billing as an additional option. “We know from our conversations with service providers and folks in the technology branded app stores that consumers will spend more when they have more choice and more timing options around payments,” Ricci said.

That makes sense – customers don’t necessarily know that they want carrier billing, they just want as many options as possible. So what about carriers? Do they fear billshock, overloaded call centers, and invoices jammed with cryptic line items no one, including contact center reps, can understand?

“This is the crux of the issue,” Ricci says. “One of the major problems with Premium SMS is that you’re limited to how much you can communicate about the service in a line item on the invoice… When you go back to the consumer interaction with these charges, once they have transacted them, what happens if the consumer wants to dispute them? That’s a big challenge today,” she says.

Ricci adds that most technology brand app stores—the iTunes store in particular—do a poor job of handling or even enabling billing disputes. “If you download something from iTunes and you don’t like it or think it was wrongly charged, there’s virtually no way to dispute that charge and get your money back.”

A major issue for carriers in providing integrated billing for apps is dealing with an increase in disputes, the cost associated with it, and the sheer complexity of setting up audit trails and financial mechanisms that can unwind a complex content and settlement transaction and properly credit the end customer.

Still, if Apple doesn’t bother, why should a carrier? It’s not like Apple is taking a beating because people

> “1.7 million consumers bought iPhone 4s in its first three days of sale, worth more than $9 billion over the next five years.”

can’t dispute app charges. Ricci says it’s pretty simple: Apple doesn’t put a customer service 800 number on the iTunes store for handling billing issues. There is one on every carrier bill. Plus, carriers already receive calls about apps because customers assume that if it’s on their cell phone, it’s somehow the carrier’s problem to fix, even when it absolutely isn’t.

> “FiOS, U-Verse, managed health care records, cloud and other managed services are likely to continue to grow.”

Why Not SMS?

Some apps are the carrier’s responsibility and end up on carrier bills. Those are on-deck apps and premium text-based services that are billed through short code mechanisms. This is one interface carriers have opened up to allow for third-party billing of content-based services directly to wireless bills. But this channel is stigmatized thanks to scams and schlocky offerings, and is very limiting for customers. “Even before these technology branded app stores launched I remember players talking about premium SMS as a billing mechanism is a dying process and…it’s too clunky,” says Ricci. “It’s limited to one process—buy something, get a fixed price for it, and the descriptor ends up on your invoice. They (technology branded app store providers) want more billing process options. Those options may take the form of subscriptions, transaction events that happen within a gaming session, and price variations, none of which can be supported effectively through the short code billing channel.

Why Should and How Can Carriers Make It Happen?

Ricci says that in the face of these highly successful over-the-top offerings, carriers need to be in the value chain, even if they’d prefer for all of the content to flow through their own app stores and walled gardens. The need to “play a role in the app space,” she says. Today, carriers aren’t doing a great job of leveraging a fundamental advantage they should have in packaging. They already provide the voice, messaging, and data services, but even those aren’t always packaged and bundled very well. When a customer buys a data plan, there’s no free content coming along with it—it’s not part of a package.

Even before we get to the technical aspects of integrated billing, carriers probably need to become more sophisticated in the way they marry infrastructure-based services with content and apps. This is a drum the BSS sector has beaten for years and yet very little has changed. Carriers’ market devices, rate plans, and coverage. That’s about it.

On the technical side, Ricci suggests service

providers “can make it happen by publishing and standardizing APIs” that make it much easier for app stores to integrate with them. One of Intec’s core philosophies within its product portfolio is to open up processes that allow data to be pushed into them in a secure way. She says there’s definitely a balance here between openness and security that needs to be considered, but if architected correctly, it can “all work as it should.”

There have been discussions about letting all kinds of things end up on wireless bill from vending machine purchases and gas to international money transfers. Many of them don’t make a whole lot of sense. But when it comes to apps, despite the potential contact center burden and integration complexities, it just makes sense that customers should have the option to put those charges on their wireless bills.